

Message Text

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44

ACTION NEA-10

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TRSE-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 3253

INFO AMEMBASSY DACCA

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C O N F I D E N T I A L COLOMBO 2610

EO 11652: GDS

TAGS: PINT, CE

SUBJ: UNITED FRONT COALITION CONTINUES TO WOBBLE

REF: A) COLOMBO 2557 B) COLOMBO 2668

1. SUMMARY: BATTLE BETWEEN PRIME MINISTER BANDARANAIKE AND HER COALITION PARTNER, LANKA SAMA SAMAJA PARTY (LSSP), CONTINUES UNRESOLVED DESPITE RELEASE YESTERDAY OF LSSP FINANCE MINISTER N.M. PERERA'S REPLY TO PM'S ULTIMATUM OF LAST FRIDAY (REFTEL A). PERERA'S LETTER HAS THREE MAJOR ELEMENTS: 1) APPEAL FOR BANK NATIONALIZATION; 2) SEMI-APOLOGY THAT "I AM SORRY THAT ANYTHING I HAVE SAID SHOULD HAVE HURT YOU"; AND 3) ALLEGATION THAT USG MISUSED PL-480 FUNDS PRIOR TO 1970 ELECTIONS. WHILE FATE OF LSSP AS MEMBER OF GOVERNMENT STILL UNKNOWN, ONE OR MORE OF ITS THREE MINISTERS LIKELY TO BE AFFECTED IN CABINET RESHUFFLE WHICH IS RUMORED TO BE IMMINENT. TWO TRAVELLING SRI LANKA FREEDOM PARTY (SLFP) MINISTERS HAVE REPORTEDLY

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BEEN SUMMONED HOME FROM CURRENT USSR TRIPS. STORIES

OF CABINET RESHUFFLE ARE REINFORCED BY STORY IN "DAILY MIRROR", CONTROL OF WHICH HAS BEEN TAKEN OVER INTER ALIA BY PM'S SON, ANURA, AND BROTHER, DR SIVALI RATWATTE. END SUMMARY.

2. ON AUG 19, FINANCE MINISTER N.M. PERERA RELEASED TEXT OF REPLY TO PRIME MINISTER BANDARANAIKE'S LETTER OF AUG 14 DEMANDING IMMEDIATE ASSURANCES FROM LSSP THAT IT WILL END "VITUPERATIVE POLITICS" WITHIN THE UNITED FRONT (UF) (REFTEL A). ADOPTING AIR OF INJURED INNOCENCE, PERERA'S EQUIVOCAL ANSWER DOES NOT RESPOND TO MANY POINTS IN PM'S LETTER BUT HAS DEFINITE CONCILIATORY TONE.

3. IN HIS LETTER, PERERA AGAIN BRINGS UP CHARGE OF POSSIBLE MISUE OF PL-480 RUPEES BY USG, PARTICULARLY 1969 USG LOAN TO GSL OF APPROX FIFTEEN MILLION RUPEES WHICH HE TERMED "UNEXPLAINED SUDDEN DISBURSEMENT." HE SAID THAT THIS AMOUNT WAS UNACCOUNTED FOR IN GSL TREASURY AND IMPLIED IT WAS USED TO FINACE UNP'S 1970 GENERAL ELCTION CAMPAIGN HERE. AMB HAS DISCUSSED ISSUE WITH PRIME MINISTERS OFFICE WHICH BEING REPORTED SEPTTEL.

4. PORTION OF PERERA'S LETTER WAS GIVEN OVER TO LENGTHY PRESENTATION OF LSSP POSITION IN FAVOR OF BANK NATIONALIZATION, ISSUE TOUCHED UPON ONLY BRIEFLY IN PM'S ORIGINAL LETTER. AT END, HE MAINTAINED THAT LSSP HAD NOT ENGAGED IN VITUPERATIVE POLITICS, THAT HE IS SORRY IF ANYTHING HE SAID HAD HURT THE PM AND THAT HE WOULD COOPERATE IN HELPING TO OBSERVE UF RULE AGAINST PUBLIC ATTACKS ON COALITION PARTNERS.

5. INITIATIVE IS NOW WITH PM WHO IS WIDELY RUMORED IN HIGH GOVT CIRCLES TO BE PLANNING CABINET RESHUFFLE. SHE HAS REPORTEDLY SUMMONED HOME FROM SOVIET UNION T.B. ILANGARATNE, MINISTER OF FOREIGN AND INTERNAL TRADE, AND T.B. SUBASINGHE, MINISTER OF INDUSTRIES AND SCIENTIFIC AFFAIRS. WE HAVE BEEN CONFIDENTIAL

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TOLD BY TWO RELIABLE SENIOR SOURCES THAT MRS BANDARANAIKE PLANS TO SEND PERERA PRIVATE REPLY TODAY CONCLUDING WITH STATEMENT THAT CORRESPONDENCE IS CLOSED AND SHE WILL TAKE WHATEVER STEPS WHE DEMMS NECESSARY.

6. WHILE NO HARD EVIDENCE IS AVAILABLE ON CABINET CHANGES, WHICH WOULD BE FIRST SINCE UF ELECTION IN

170, PM MAY TAKE OPPORTUNITY TO SHIFT OR DEMOTE
LSSP MINISTERS IN ORDER TO EMBARRASS THEM OR ATTEMPT
TO FORCE THEM FROM GOVT. SPECULATION IS THAT
FINANCE PORTFOLIO WILL GO TO ONE OF THREE SLFP
MINISTERS: MAITHRIPALA SENANAYAKE, FELIX DIAS
BANDARANAIKE OF T.B. ILANGARATNE.

7. THESE RUMORS OF CABINET RESHUFFLE HAVE BEEN FUELED
BY AUG 19 FRONT PAGE STORY IN TIMES GROUP
NEWSPAPER, "DAILY MIRROR" SUPPORTING THIS COURSE OF
ACTION. CONTROL OF TIMES GROUP HAS BEEN ASSUMED
WITHIN PAST WEEK BY PRIME MINISTERS SON,
ANURA BANDARANAIKE, AND HER BROTHER, DR SIVALI
RATWATTE, HARRIS HULUGALLE, SON OF FORMER LAKE
HOUSE EDITOR H.A. J. HULUGALLE AND LONG IDENTIFIED
WITH MODERATE ELEMENT OF SLFP, HAS TAKEN OVER AS
MANAGING EDITOR. "DAILY MIRROR" AUG 20 ALSO
CARRIED FRONT PAGE EDITORIAL DENIGRATING FINANCE
MINISTER.
VAN HOLLEN

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